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REPORT

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Hungary

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Political Developments in Hungary: ATTITUDE
TOWARD CO-EXISTENCE, TOURIST, AUSTRIA

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YUGOSLAVIA: POSITION OF	RAKOSI.
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SUPPLEMENT TO
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This is UNEVALUATED Information

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1. It was learned that Hungary had fully adopted the Soviet-fostered political concept of co-existence between the East and the West. The Government tried to establish contacts with the West, treated Western journalists in a friendly and unprejudiced manner and even answered delicate and ticklish questions. Factories which had previously been strictly "off-limits" for visitors from the West could be inspected, and audiences were generously granted by Hungarian Ministers.

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the present political course of Hungary that efforts were being made to intensify tourist traffic. At the moment, 2,000 beds were available for tourists in Budapest in contrast to 6,000 pre-war times. For that reason, only a limited number of entry-permits could be issued.

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In the eyes of the Hungarian Government, the Austrian State Treaty had paved the way for a rapprochement between Austria and Hungary.

4. The relationship between Hungary and Yugoslavia was at present regarded to be the most delicate problem Hungary had to face. The suspension of the Hungarian-Yugoslav trade negotiations, which allegedly was due to tactical considerations, caused a violent discussion among the members of the Hungarian CP Central Committee. Rakosi was allegedly blamed by Hidas for his inelastic political attitude toward Tito. After the official visit of the Soviet leaders to Belgrade, Rakosi was said to have been assured by the Kremlin that Hungary did not run any risk if she did not accept the Yugoslav monetary demands amounting to 200 million dollars. Rumors according to which Hungary and other southeast European States would form a Balkan Union under the leadership of Tito were completely out of place.
5. Concerning the internal situation of Hungary, it was stated that Rakosi's position was at the moment unchallenged. He was undoubtedly the driving force of the regime, and the most pictured personality among Hungarian Communists and was held in high esteem by the bulk of the party functionaries of medium importance. The fact that, except for the portraits of Stalin and Lenin, only his portrait could be seen in party offices, was significant of his position. Hegedues, the Hungarian Prime Minister, had practically no importance at all. Concerning Imre Nagy, it was stated that he had not followed the will of the resolutions of the Hungarian CP Central Committee. This obstinacy, coupled with wrong agricultural measures, had caused his downfall. His suspension had, however, not involved a change of the party line; neither had there been a personal enmity between Rakosi and Nagy or personal fights inside the party. Nagy did not hold any post at the moment, but he was still a member of the Workers' Party.
6. Although Hungarian Communism was by no means a mere copy of Soviet Communism, Hungary was a faithful ally of the Kremlin and did not intend to detach herself from Moscow. Only few Russians lived in Hungary, and only few Hungarians spoke Russian. The present political course was comparatively mild. The Government grip on agriculture had, however, to be tightened in order to correct the mistakes made by Nagy. Farmers who did not fulfil their delivery quotas were either fined or, in serious cases, even arrested. A certain amount of criticism and contacts between natives and foreigners, even with members of Western diplomatic representatives were tolerated.

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Although surveillance by the AVH had diminished, suspect people were still closely watched. The release of 90 political prisoners, mostly Social Democrats, who had been sentenced by the Gabor junta, was typical of the present course.

Comment. The present report is believed to be correct.

It was reported previously that the Soviets suggested after the conclusion of the Austrian State Treaty that Budapest and Prague should approach Vienna for an intensification of mutual relations in order to detach Austria increasingly from the West. The statement that Hungary would refuse to join a Balkan Union under the leadership of Tito seems to be correct.

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